

Section 232 Oral Testimony of Henry Gordinier – June 22, 2017

Secretary Ross, I would like to thank you for the opportunity to assist the Department in the Section 232 investigation on the impact of Aluminum imports to U.S. national security.

My name is Henry Gordinier, and I am the Chief Executive Officer of Tri-Arrows Aluminum, Inc. Tri-Arrows is a downstream producer of rolled aluminum sheet serving the North American beverage container and automotive markets. It is our belief that a healthy North American *aluminum industry* is vital to national security.

Our manufacturing operation is in the Commonwealth of Kentucky, where we employ over 1,200 employees at the Logan Aluminum rolling mill, a production joint-venture with Novelis Corporation.

The Commonwealth of Kentucky has more than 150 aluminum facilities – from mills to makers of end-user products – and the industry employs nearly 18,000 full-time workers. Aluminum accounts for \$2 billion in the state's gross domestic product.

Since 2014, Tri-Arrows has invested approximately **\$425** million dollars in our manufacturing facility, creating **250** high skilled manufacturing jobs. These investments will increase our capacity by approximately **30%**, and expand our manufacturing capabilities to serve a wider range of products in the North American market.

Notably, these investments protect the capacity needed to serve our existing customer base, and support the developing automotive sheet market.

At the outset, I would like to emphasize that Tri-Arrows supports *fair and free competition*, where this competition is based on (1) cost, (2) efficiency, and (3) productivity.

Based on these measures, the Logan rolling mill is regarded as one of the most productive mills in the world, yielding a low-cost position in the market place.

But we cannot compete with government subsidies.

It is my understanding that direct intervention of capital, labor, land, raw materials, and basic inputs has led to massive overcapacity in Chinese aluminum assets, upstream and downstream, from primary production to fabricated products. *With the Chinese overcapacity, we believe both our current business, as well as future investment and job expansion, are at risk.*

Today, imports are relatively small. However, they are growing at ~30% per year and we have seen forecasts which show China targeting over 75% of the West Coast Market. Recently, Tri-Arrows has been displaced from West Coast plants in favor of Chinese metal.

Metal costs for the Chinese manufacturers are not the same as in other market-based countries. Chinese metal is advantaged over domestic supply due to subsidized smelters, a unique metal index (SHFE) which typically trades at lower levels than the LME, and export policies and tariffs which favor the export of value added materials over primary aluminum. Due to these advantages, Chinese mills can offer fabricated product for import at extremely low prices – prices so aggressive that no Western mill would be able to generate a profit.

I can present two recent examples that illustrate where subsidized Chinese imports are impacting the North American aluminum economy today. These examples show that the threat of harm is shifting from conceptual to transactional.

1. First: In a recent multi-year North American contract discussion, Chinese price points were used to anchor the negotiation as a global reference point. Used in this manner, the impact of these imports is far greater than the actual volume shipped would indicate.
2. Second: Semi-fabricated products (coil and rod) from China are being offered at prices below the exchange based price for metal in the U.S., with the intent for these products to be repurposed as raw material. This material is available in the market place today. If semi-fabricated product can be sold in North American below the base price for aluminum, it is not a leap to see where this level of “discount” might be applied to more highly engineered products.

In conclusion, Tri-Arrows seeks a level playing field in which to compete with all market participants. As the Committee considers potential trade remedies, we believe that unintended consequences can be minimized through recognizing the following:

1. The North American aluminum industry is part of, and dependent on, a global supply chain, where the vast majority of our trading partners operate on market-based principles;
2. The full aluminum value chain should be considered, given the ability for policy to redirect/shift values between upstream and downstream products;
3. The threat to the North American aluminum industry stems from Chinese overcapacity and non-market based economic practices.

Thank you.